



LCH.Clearnet SA
CDS Clearing Procedures
Section 4 – Eligibility Requirements,
Eligible Index Versions and
Eligible Reference Entities

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**SECTION 4 – ELIGIBILITY REQUIREMENTS, ELIGIBLE INDEX VERSIONS AND
ELIGIBLE REFERENCE ENTITIES**

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Capitalised terms used in this Eligibility Requirements, Eligible Index Versions and Eligible Reference Entities Procedure and not otherwise defined herein shall have the meaning given pursuant to the remainder of the CDS Clearing Documentation or the ISDA Credit Derivatives Definitions, as such terms are defined in the document entitled "CDS Clearing Rule Book" published by LCH.Clearnet SA, as amended from time to time.

4.1 ELIGIBILITY REQUIREMENTS

- (a) LCH.Clearnet SA provides CDS Clearing Services in relation to Original Transactions which comply with the requirements set out in paragraph 4.1(c) below (the "**Eligibility Requirements**").
- (b) Following receipt from DTCC of the Gold Records File on a Weekly Backloading Start Day, LCH.Clearnet SA will extract the Original Transaction Data in relation to the relevant Backloading Transaction. Such Backloading Transaction will then be subject to the Eligibility Controls pursuant to Article 3.1.1.3 of the CDS Clearing Rule Book.
- (c) The following criteria shall constitute the Eligibility Requirements of an Original Transaction for the purposes of Section 3.1.1- (*Weekly Backloading Cycle*), Section 3.1.2 (*Daily Backloading Cycle*) and Section 3.1.4 (*Intraday Process*) of the CDS Clearing Rule Book:
 - (i) the relevant Clearing Member is not: (I) a Clearing Member that has been suspended in accordance with Section 2.4.1 (*Suspension*) of the CDS Clearing Rule Book; (II) a Defaulting Clearing Member; (III) a Clearing Member in respect of which a Payment Failure has occurred and is continuing; or (IV) a Clearing Member that is no longer permitted to introduce risk to LCH.Clearnet SA in accordance with Section 2.2.4 of the CDS Clearing Rule Book;
 - (ii) LCH.Clearnet SA is permitted, pursuant to Applicable Law, to clear such Original Transaction for the relevant Clearing Member's own account (or for that of its Client or Affiliate, as applicable);
 - (iii) the Original Transaction is:
 - (A) subject to paragraph 4.2 below, a CDS referencing ~~a portfolio of Reference Entities specified in one of the following credit default swap indices~~ an Index Version provided that the following requirements, as set out in the Eligible Index Versions List (as such term is defined in paragraph 4.2(c) below) are met:
 - ~~(1) iTraxx Europe, Series 5 and above, and any new version thereof published on the website of the Index Publisher (www.markit.com), with terms of 3, 5, 7 or 10 years;~~
 - ~~(2) iTraxx Europe HiVol, Series 5 and above, and any new version thereof published on the website of the Index Publisher (www.markit.com), with terms of 3, 5, 7 or 10 years; or~~

~~(3) iTraxx Europe Crossover, Series 5 and above, and any new version thereof published on the website of the Index Publisher (www.markit.com), with terms of 3, 5, 7 or 10 years; or~~

(1) the Index Version is an Eligible Index Version; and

(2) the term is an Eligible Term (as such term is defined in paragraph 4.2(b) below); or

(B) subject to paragraph 4.3 below, a CDS referencing a single Reference Entity, provided that the following requirements are met:

(1) the Reference Entity is an Eligible Reference Entity in respect of the relevant ISDA Credit Derivatives Definitions;

(2) the Reference Obligation is an Eligible Reference Obligation (as such term is defined in paragraph 4.3-(b) ~~(iii)~~(ii) below) for such Reference Entity in respect of the relevant ISDA Credit Derivatives Definitions;

(3) in respect of an Original Transaction which incorporates the Credit Derivatives Physical Settlement Matrix: the Transaction Type is "Standard European Corporate;" (as such term is defined in the Credit Derivatives Physical Settlement Matrix);

(4) in respect of an Original Transaction which does not incorporate the Credit Derivatives Physical Settlement Matrix: such Original Transaction is documented by a master confirmation which sets out terms which are substantially similar to those provided for in the Credit Derivatives Physical Settlement Matrix in respect of a Standard European Corporate (as such term is defined in the Credit Derivatives Physical Settlement Matrix);

~~(4)~~(5) the currency of denomination of the Floating Rate Payer Calculation Amount is Euros;

~~(5)~~(6) the Fixed Rate is an Eligible Fixed Rate for such Reference Entity (as such term is defined in paragraph 4.3 (b) ~~(ii)~~(i) below);

~~(6)~~(7) the Fixed Rate Payer Payment Dates are 20 March, 20 June, 20 September and 20 December (each such date, a "Standard Payment Date");

~~(7)~~(8) the Scheduled Termination Date is (x) on a day that is a Standard Payment Date; and (y) no later than the first Standard Payment Date after the day that is 10 years after the Clearing Day on which the Original Transaction was received by LCH.Clearnet SA; and

~~(8)~~(9) the Reference Entity is neither the relevant Clearing Member, an Affiliate of the relevant Clearing Member nor, where the relevant Clearing Member has also entered into a Client Transaction corresponding to such Original Transaction, the relevant Client;

The requirements mentioned in sub-paragraphs (1), (2) and (6) are set out in the Eligible Reference Entities List (as such term is defined in paragraph 4.3(c) below).

For the avoidance of doubt, the requirements set out in this sub-paragraph 4.1(c)(iii) are checked solely on the basis of the Original Transaction Data received from an Approved Matching Provider or DTCC, as applicable. LCH.Clearnet SA is not aware of, and does not check, the actual terms of the confirmation of the Original Transactions.

- (iv) the Original Transaction references an Eligible Index Version or an Eligible Reference Entity which has a First Novation Date that has occurred on or prior to the Clearing Day on which the Original Transaction is received by LCH.Clearnet SA and a Novation Cut-off Date that has not occurred on or prior to such Clearing Day;
 - (v) in respect of ~~an Original Transaction which is~~ an Intraday Transaction, the trade reference for each of the protection buyer and protection seller, in respect of such Original Transaction, to be used when booking the trade in DTCC has been included together with the Transaction Data; and
 - (vi) in respect of ~~an Original Transaction which is~~ a Daily Backloading Transaction, the Daily Backloading Novation Day does not fall on the day ~~preceeding~~preceding a Standard Payment Date; and
 - ~~(vii) the clearing of the Original Transaction by LCH.Clearnet SA will not result in a breach by a Clearing Member of its obligations under any Applicable Law.~~
- (d) The Eligibility Requirements shall be deemed satisfied if the relevant Original Transaction is not rejected, pursuant to the CDS Clearing Rule Book, prior to the Novation Time.
 - (e) If the Eligibility Requirements set out in paragraphs 4.1(c) above are deemed satisfied at the Novation Time in respect of an Original Transaction, pursuant to paragraph 4.1(d) above, then LCH.Clearnet SA shall, in accordance with Section 3.1.1. (*Weekly Backloading Cycle*), Section 3.1.2 (*Daily Backloading Cycle*) and Section 3.1.4 (*Intraday Process*) of the CDS Clearing Rule Book, as applicable, novate such Original Transaction in accordance with Section 3.1.6 (*Novation Process*) of the CDS Clearing Rule Book.
 - (f) For the avoidance of doubt, Article 3.1.6.4 of the CDS Clearing Rule Book shall apply regardless of whether the Eligibility Requirements were in fact satisfied.

4.2 ELIGIBLE INDEX VERSIONS

- (a) ~~LCH.Clearnet SA will, in consultation with the CDSClear Product Committee, establish a list of Eligible identify the~~ Index Versions which shall be considered as “Eligible Index Versions”.
- (b) ~~With respect to each Eligible Index Version, LCH.Clearnet SA will, in consultation with the CDSClear Product Committee, determine, without limitation, each term which is eligible for clearing (an “Eligible Term”).~~
- (a)(c) ~~The Eligible Index Versions identified in accordance with paragraph 4.2(a) as well as the Eligible Terms shall be set out in a table published by way of a Clearing Notice on the Website (the “Eligible Index Versions List”).~~
- (d) LCH.Clearnet SA may, in consultation with the CDSClear Product Committee, amend the ~~list of~~ Eligible Index Versions ~~in respect of which LCH.Clearnet SA provides CDS Clearing Services List~~ by issuing a Clearing Notice. Any such Clearing Notice shall specify ~~(:~~
- (i) ~~in the case of an addition of an Eligible Index Version to such list), the relevant First Novation Date and (;~~ or
- (+)(ii) ~~in the case of a deletion of an Eligible Index Version from such list), the relevant Novation Cut-off Date.~~
- (b)(e) Notwithstanding the above:
- (i) a Novation Cut-off Date or a First Novation Date arising as a result of the occurrence of a Credit Event or a Succession Event shall be determined in accordance with the CDS Clearing Supplement; and
- (ii) if and for so long as any Clearing Member has one or more Open Position(s) registered in any of its Margin Accounts, such Clearing Member may submit for clearing an Original Transaction which does not meet the Eligibility Requirements set out in paragraph 4.1(c)(iv) pursuant to the CDS Clearing Documentation if such Original Transaction is a risk reducing transaction (as determined by LCH.Clearnet SA) in respect of the relevant Margin Account and it is not unlawful or illegal for LCH.Clearnet SA to accept such Original Transaction for clearing.

4.3 ELIGIBLE REFERENCE ENTITIES

- (a) LCH.Clearnet SA will, in consultation with the CDSClear Product Committee, ~~establish a list of identify the Reference Entities which shall be considered as “Eligible Reference Entities” under each of the 2003 ISDA Credit Derivatives Definitions and their characteristics, which shall be published by way of a Clearing Notice the 2014 ISDA Credit Derivatives Definitions.~~
- (b) With respect to each Eligible Reference Entity ~~under the 2003 ISDA Credit Derivatives Definitions and/or the 2014 ISDA Credit Derivatives Definitions,~~ LCH.Clearnet SA will, in consultation with the CDSClear Product Committee, determine, without limitation, the following characteristics:
- (i) ~~the Reference Entity Database code (the “RED Code”), as published by Markit Group Limited or any successor thereto, if available;~~

- ~~(ii)~~(i) each Fixed Rate that is eligible for clearing (an “**Eligible Fixed Rate**”);
- ~~(iii)~~(ii) each Reference Obligation that is eligible for clearing (an “**Eligible Reference Obligation**”), ~~and if available the corresponding Red Codes;~~);
- ~~(iv)~~(iii) the Reference Obligation under which the Cleared Transaction(s) on the Eligible Reference Entity will be registered (the “**CDSClear Preferred Reference Obligation**”), ~~and if available the corresponding Red Code”) where no Standard Reference Obligation is published for this Eligible Reference Entity;~~ and
- ~~(v)~~(iv) the date of publication of the Credit Derivatives Physical Settlement Matrix which the Cleared Transaction(s) on the Eligible Reference Entity will reference (the “**Relevant Physical Settlement Matrix**”).

(c) The Eligible Reference Entities identified in accordance with paragraph 4.3(a) above as well as the characteristics mentioned in paragraph 4.3(b) above shall be set out in a table published on the Website (the “**Eligible Reference Entities List**”).

~~(e)~~(d) LCH.Clearnet SA may, in consultation with the CDSClear Product Committee, amend the ~~list of Eligible Reference Entities and any of their characteristics (including, but not limited to, the characteristics listed in paragraph 4.3 (b) above)~~List by issuing a Clearing Notice. Any such Clearing Notice shall specify:

- (i) in the case of an addition of an Eligible Reference Entity to such list, the relevant First Novation Date;
- (ii) in the case of a deletion of an Eligible Reference Entity from such list, the relevant Novation Cut-off Date; or
- (iii) in the case of an amendment to the characteristics of any Eligible Reference Entity, the Clearing Day on which such amendment shall take effect in accordance with Article 1.2.2.8 of the CDS Clearing Rule Book.

~~(d)~~(e) Notwithstanding the above:

- (i) a Novation Cut-off Date or a First Novation Date arising as a result of the occurrence of a Credit Event, a Succession Event or a Rename Event shall be determined in accordance with the CDS Clearing Supplement; and
- (ii) if and for so long as any Clearing Member has one or more Open Position(s) registered in any of its Margin Accounts, such Clearing Member may submit for clearing an Original Transaction which does not meet the Eligibility Requirements set out in paragraph 4.1(c)(iv) pursuant to the CDS Clearing Documentation if such Original Transaction is a risk reducing transaction (as determined by LCH.Clearnet SA) in respect of the relevant Margin Account and it is not unlawful or illegal for LCH.Clearnet SA to accept such Original Transaction for clearing.